

# United States Senate

WASHINGTON, DC 20510

November 10, 2009

Mr. Gene Dodaro  
Acting Comptroller General of the United States  
General Accounting Office  
441 G Street NW  
Washington, DC 20548

Dear Mr. Dodaro:

We are writing to request that the General Accounting Office (GAO) undertake a study of the effectiveness of residential property energy efficient tax credits (Code Section 25C) and to outline suggested revisions that may maximize public benefits.

Energy efficient and advanced consumer products provide a significant opportunity to reduce our aggregate energy demand and improve our nation's energy security. Accordingly, we believe that it is essential that federal energy efficiency tax policies are constructed to maximize social benefit. As authors of the 25C provision, it was our intent that tax incentives for energy efficient products would reduce carbon emissions, lower consumer utility bills, reduce aggregate energy demand and growth, and facilitate entry of advanced energy efficient products into the marketplace. At the same time, we recognize that consumer patterns as well as technology have altered since enactment of this provision and want to ensure that the credits are appropriately allocated with respect to technology developments and improvements.

Congress extended these tax credits through 2009 in passage of the Emergency Economic Stabilization Act of 2008, on October 3, 2008 and, at the time, was estimated to cost taxpayers \$817 million in lost revenue in Fiscal Year 2010. In addition, the tax credits were further revised in the American Recovery and Reinvestment Act. Specifically, the legislation further extended the tax credits through 2010, expanded the tax credits to a 30 percent tax credit of up to \$1,500, as well as revised energy efficiency standards. The provision in the legislation was estimated to cost \$1.878 billion in lost revenue. Tax credits for these residential products, which had expired at the end of 2007, are now available for improvements made during calendar year 2009 and 2010. These tax credits apply to insulation materials, exterior windows and doors, and advanced metal roofs. Furthermore, the credit provides a tax credit for an advanced main air circulating fan, a qualified natural gas, propane, or oil furnace or hot water boiler based upon specific energy efficiency factors.

At a time when Americans are struggling to heat and cool their homes, it is essential that we do not waste finite energy tax incentives and we promote residential energy property that can most effectively assist homeowners as well as improve the United States' energy security. Modifying language every year so that tax credit amounts and standards for energy efficiency household appliances and materials remain up to date and relevant is complicated and requires thorough analysis. Accordingly, we believe that a GAO study is warranted to help us understand how effective these credits have been, and how they can be improved to help the American public further. We request that GAO evaluate the current oversight and effectiveness of Code Section 25C and provide the Committee with answers to the following questions:

1. Has the enactment of 25C reduced carbon dioxide emissions, aggregate electricity or energy demand in the United States? If so, by how much?


2. To what extent has 25C saved consumers money on electricity and energy costs over the lifetime of each product?
3. How would GAO recommend to the Committee and Congress that these tax credits be altered to maximize a reduction in carbon dioxide emission and electricity demand, as well as reduce consumer energy use? Should some provisions of 25C be modified or be allowed to expire? What is the ratio of energy saved to the tax credit provided?
4. With technology constantly changing, should the Committee and Congress develop a mechanism that automatically adjusts to developments in these consumer products? If so, what is an appropriate mechanism? Should energy efficiency tax policies account for regional environmental variations?
5. Are there other residential properties that should be provided tax credits for specific energy efficiency levels consistent with the goals of lower electricity and energy bills, reduced carbon emissions, and reduced energy demand and energy growth?
6. Does GAO recommend that energy efficiency tax credits could be revised from the current cost-based structure to a holistic energy efficiency savings structure based on measured energy efficiency improvements to an existing home by a professional energy auditor? How could the Committee and Congress ensure that professional energy auditors are accurately assessing energy savings?

We anticipate that this information will be helpful in future Congressional debates, particularly in the Senate Finance Committee, regarding investment in residential energy efficiency and would appreciate your assistance with these public policy questions. Should you have any questions regarding this request, please do not hesitate to contact us at our respective offices. We appreciate your prompt attention to this request and thank you in advance for your work on this matter.

Sincerely,



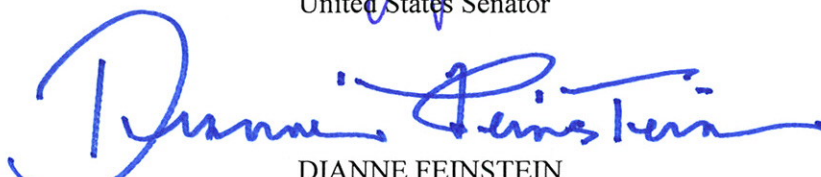
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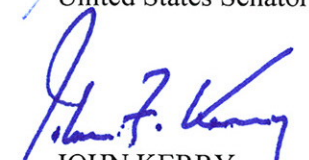
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